

[By Rep. John Adler \(D-N.J.\)](#) - 09/22/10 11:30 AM ET

As our nation struggles to recover from its worst economic period since the Great Depression, rekindling economic growth and private sector job creation should be at the top of the congressional agenda. Unfortunately, a lack of bipartisanship in Washington has not served our economy well. In an effort to put our economy back on track, we need to extend the current tax rates for dividend income and capital gains before they expire. As small businesses struggle with frozen credit markets and dwindling capital, the last thing our country's job creators can afford is a tax hike.

Keeping the dividends and capital gains tax rates linked and low will help fuel economic growth, create jobs and allow middle-class families and seniors to keep a little extra money in their pockets. More than 27 million Americans—including countless seniors and middle-income taxpayers—now benefit from the 15 percent rate. By keeping dividends and capital gains tax rates low for everyone, we can help the private sector create new jobs and allow seniors and middle-income households to save and invest more.

An increase in the federal tax rate on dividends would hamper the economic recovery by limiting the amount of capital available to companies. Small businesses already have a difficult time obtaining credit to invest and create much-needed new jobs. Hiking dividends will temper the ability of entrepreneurs looking to expand. Large industries would even find it harder and more expensive to access the capital markets, while increasing their levels of debt.

Most importantly, we must protect middle-class families and seniors from harmful tax increases. Raising the tax on dividends would lead many companies to reduce their quarterly dividend payments. This would disproportionately impact seniors and middle-income households who rely on their dividend income for daily living expenses at a time when other investments—such as money market accounts and certificates of deposit—are generating small yields of about one percent or even less.

Some argue that a lower tax rate on dividends and capital gains should be preserved only for middle-class families. They argue that the rate for more affluent taxpayers should revert to previous levels, as high as 39.6 percent for investors. If this is the route Congress takes, many of those investors would simply turn elsewhere. This would help starve home-grown domestic companies of crucial investment capital and erode the value of many stocks prized for their steady dividend returns. This course of action hurts all investors and the economy at large.

If Congress fails to act, it would skew investment decisions, because the maximum federal tax on capital gains would revert to its previous level of 20 percent. Dividends would again be taxed as ordinary income. This would create a federal tax policy that favors debt investments and growth stocks over dividend-paying investments. This is hardly the medicine our economy needs right now.

Our national economic recovery remains fragile and uncertain. We need tax policies that will energize recovery and give small businesses the capital and confidence they need to plan, invest and create new jobs. Raising taxes on capital gains and dividends will achieve the opposite. Job number one for Congress should be to encourage long-term investment in our nation's economy and future. It's time that both parties in Congress stand together and extend the current tax rates on capital gains and dividends.